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STATE OF MONTANA

MONTANA BICENTENNIAL ADMINISTRATION

Report on Examination of Financial Statements

Fiscal Years Ended June 30, 1975 and 1976

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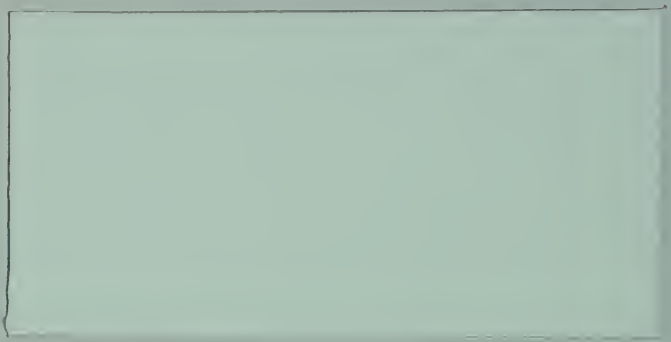

STATE OF MONTANA

MONTANA BICENTENNIAL ADMINISTRATION

Report on Examination of Financial Statements

Fiscal Years Ended June 30, 1975 and 1976

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ADMINISTRATIVE OFFICIALS

MONTANA BICENTENNIAL ADMINISTRATION

Harold G. "Hal" Stearns	Director (Resigned November 1976)
John Barrett	Director
Paul McCann	Deputy Director

SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full replies of the Montana Bicentennial Administration, the Department of Administration, the Governor's Office of Budget and Program Planning, and the Montana Historical Society are included in the back of this report.

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The Montana Historical Society seek to obtain all dies used in the production of the Montana bicentennial medal collection.	5
Montana Historical Society Reply: Concur. See page 24.	
The Department of Administration establish procedures to guide an agency in releasing its responsibility over its assets and to account for all equipment once it is turned over to the department.	12
Department of Administration Reply: Concur. See page 22.	
The Department of Administration and the Governor's Office of Budget and Program Planning coordinate efforts to establish uniform policies for the closure and dismantling process of state agencies.	12
Department of Administration Reply: Concur. See page 22.	
Governor's Office of Budget and Program Planning Reply: Concur. See page 23.	

PREFACE

The Montana Bicentennial Administration ceased activity in December 1976; therefore, this report does not contain specific recommendations directed to the agency. Instead, this report contains an opinion on the financial statements and comments regarding audit areas where we found major problems with recommendations directed to the Department of Administration, the Governor's Office of Budget and Program Planning, and the Montana Historical Society.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
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LEGISLATIVE AUDITOR

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STAFF LEGAL COUNSEL
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The Legislative Audit Committee
of the Montana State Legislature:

We have examined the balance sheet of the Montana Bicentennial Administration as of June 30, 1976, and the related statements of operation listed in the table of contents of this report for fiscal years 1974-75 and 1975-76. Except as set forth in the following paragraph, our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Montana Bicentennial Administration did not take a physical inventory of its commemorative item merchandise at June 30, 1975 or June 30, 1976 nor did the agency establish asset control accounts for inventories. The agency's records do not permit the application of adequate alternative audit procedures regarding inventories.

Since the agency did not take physical inventories and we were unable to apply alternative procedures regarding inventories, the scope of our audit work was not sufficient to enable us to express, and we do not express, an opinion as to the reasonableness of revenue reported for commemorative item sales on the financial statements.

The Montana Bicentennial Administration has not maintained a record of its general fixed assets, and accordingly a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial report.

Accounts receivable amounting to approximately $9,000 at June 30, 1976, are not included in the Bicentennial Administration's general ledger or financial statements. This amount pertains to moneys owed to the Bicentennial Administration by a number of county bicentennial committees for the sale of commemorative items.

As described in note 4 to the financial statements, the Montana Bicentennial Administration ceased activity in December 1976.

In our opinion, except for the matters discussed in the preceding paragraphs, the aforementioned financial statements present fairly the financial position of the Montana Bicentennial Administration as of June 30, 1976, and the results of its operations and the changes in its financial position for the two years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, CPA
Legislative Auditor

January 7, 1977

COMMENTS

GENERAL

The Montana Bicentennial Administration originated as a result of Executive Order 16-71, dated November 15, 1971, which designated the Montana Historical Society as the ex-officio Montana Bicentennial Commission. The commission was to assist the American Revolution Bicentennial Commission, established by the 89th Congress, in preparing an overall program commemorating the nation's 200th anniversary.

In July 1974 the State Board of Education was designated the official state agency for the receipt and disbursement of funds pertaining to the bicentennial. During fiscal years 1974-75 and 1975-76 the board employed a director and a full-time staff to conduct the business of the bicentennial. The agency had a 30 member Advisory Council which advised the director on general policies.

During fiscal years 1972 through 1977 the American Revolution Bicentennial Administration provided Montana approximately $178,000 in administrative funds to carry out the operations of the Montana Bicentennial Administration (MBA) and approximately $388,000 in grant moneys for local bicentennial projects. During the same period, the Montana legislature appropriated $20,000 in administrative funds and $500,000 in grant moneys. Of this, MBA awarded $250,000 in grant moneys for local bicentennial projects to various non-profit organizations and local government units. Based on the recommendation of the MBA Advisory Council, no individual grants were greater than $5,000 unless considered statewide in scope. The seven member Statewide Bicentennial Project Selection Commission, created by Chapter 462, Session Laws of 1975, and appointed by the Governor, allocated the remaining $250,000 in state

grant moneys for the Headwaters Improvement Project located at the Missouri Headwaters State Park. This permanent statewide project was selected to commemorate the bicentennial and is scheduled for completion in July 1977.

The Bicentennial Administration received approximately $100,000 in additional revenue during fiscal years 1974-75 and 1975-76, and approximately $20,000 for the period July 1976 through May 1977, as a result of selling a variety of commemorative items and as a result of royalties received from both national and state bicentennial medal collection sales. The Montana Bicentennial Administration closed its office in December 1976.

REVENUE AND INCOME

The financial statement on page 14 of this report lists the type of revenue and income received by MBA. Revenue and income totaled approximately $538,000 during fiscal years 1974-75 and 1975-76. We found several weaknesses regarding internal control over the agency's cash receipts. These problems are discussed below.

Timely Deposits of Cash

We found several instances of two to five months delays in depositing cash with the State Treasurer. One deposit involved 444 receipts totaling approximately $7,300 in checks and $300 in cash. This deposit covered a five month period. Section 2-1200.20 of the Montana Administrative Manual (MAM) requires at least weekly deposits.

Use of Printed Prenumbered Receipt Forms

MBA did not use printed, prenumbered receipt forms for most of its "cash" sale customers. For commemorative item sales made to county bicentennial committees, the agency used these forms; however, for

voided receipts we noted 15 different cases where the original copy of the receipt could not be located to determine its authenticity.

Recording Cash Receipts

Cash receipts received at MBA were not recorded or logged in on a daily basis as required by Chapter 2-1210.24, MAM.

Restrictive Endorsements on Checks

Checks received at MBA were not stamped at the time of initial receipt with a restrictive endorsement as prescribed by Chapter 2-1210.21, MAM. During our audit we noted one instance where 66 checks totaling approximately $1,500 were not restrictively endorsed and were placed in the accountant's unlocked desk drawer for subsequent collection report preparation. A number of these checks were from one to two weeks old.

No Fixed Responsibilities For The Receipt of Cash

Even though MBA was considered a small agency, officials did not strive to achieve the proper segregation of duties regarding the processing of cash collections, as required by Chapter 2-1210.51, MAM. One staff member was involved with cash receipts from the time they were initially received until they were recorded in the agency's records.

Physical Safeguards Over Cash Receipts

MBA kept a small cash box for safeguarding its cash receipts. Not only was the cash box unlocked at all times, but it was kept in an unlocked file cabinet. We could not locate the keys to the cash box nor were there any restrictions as to who had access to the cash box.

Using Cash Receipts For Personal Use

During our review of collection reports, we noted several instances where employees were allowed to cash personal checks from the commemorative

item sales cash receipts. Also, we noted a $66 disbursement out of the petty cash fund for personal use. This amount was later reimbursed to the petty cash fund.

BICENTENNIAL MEDAL COLLECTION SALES

In December 1973 the American Revolution Bicentennial Commission of Montana, then a program of the Montana Historical Society, signed a contractual agreement with Roche Jaune, Inc., Kalispell, to produce and sell a four medal Montana bicentennial medal collection as part of Montana's bicentennial program. As stipulated in the contract, MBA received royalties amounting to approximately $14,750 from approximately $138,000 in medal sales for the period August 1974 through May 1977. These amounts were well below the projected sales originally extimated by the contractor. For example, Roche Jaune, Inc., projected medal sales and royalties of approximately $300,000 and $45,000, respectively, for the period July 1, 1975 through June 30, 1976.

In addition to our review of the contract agreement we reviewed Roche Jaune's records and based upon these records determined that the firm correctly reported the amount of medal sales and paid MBA the royalties required in the contract. We noted, however, that Roche Jaune, Inc. produced and sold 50 special medals totaling approximately $250 in addition to the four types of medals authorized in the contract. Even though MBA received the royalties from these additional sales, it appeared that such sales violated the provisions of the contract.

The contract also states that all medal dies used in the production of the Montana bicentennial medal collection shall become the property of the Montana State Historical Society; these dies were to be delivered to the society by March 31, 1977. Roche Jaune officials have indicated

that these dies will not be returned to the Montana Historical Society because the dies are the exclusive property of the medal manufacturer, Medallic Art Company, Danbury, Connecticut. Roche Jaune officials said they were unaware of the exclusive property provisions entered into with Medallic Art Company at the time the contract with MBA was signed.

The Montana Historical Society should determine the feasibility of obtaining the dies as stipulated in the original contract.

RECOMMENDATION

We recommend the Montana Historical Society seek to obtain all dies used in the production of the Montana bicentennial medal collection.

EMPLOYEE LEAVE

During our audit, we noted several areas of weakness regarding internal control over annual, sick, and compensatory leave. These problems are discussed below.

Inadequate Records to Document Leave Accrued and Taken

MBA officials did not require employees to submit a written request for leave taken nor did the agency record the leave accrued and taken on employee leave records as required by the Montana Administrative Manual.

Taking Sick and Compensatory Leave When Not Earned

Our review of the employee leave records used by the agency revealed that a secretary took both sick leave and compensatory time off when the leave had not been earned. No documentation existed to show that the excess sick leave was charged against annual leave--the procedure required by Chapter 1-0304.83, MAM. Also, this employee was not eligible for compensatory time. She should have been paid for time worked in excess of 40 hours.

Other Personnel Record Problem Areas

Our review of employee leave revealed mathematical errors on three employee leave records, lack of documentation in personnel files to support payroll deductions or withholding exemptions, no written evidence of supervisors approving employee time sheets, accrual of sick leave earned by month rather than by pay period and recording sick leave and compensatory time earned and taken by half hours instead of whole hours as required by the Montana Administrative Manual.

ACCOUNTS RECEIVABLE

During our review of revenue, we found approximately $9,000 in unrecorded accounts receivable at June 30, 1976. These receivables pertained to commemorative item sales to county bicentennial committees. In February 1976 the MBA Advisory Council decided to discontinue consignment sales to the counties. For those commemorative items not returned to MBA by June 1, 1976, the amounts were payable to MBA. No effort was made by MBA officials to establish proper financial disclosure of these accounts. These amounts due were collected prior to the agency's ceasing operations.

CONTRACT FOR SERVICES

In addition to awarding grants directly to various subgrantees, MBA also administered 16 grant projects totaling approximately $130,000. To complete these projects MBA hired independent contractors to perform a number of services. MBA signed contract for service agreements with each of these contractors.

In our review of these contracts we found three instances where the agreements were not signed by both parties until after the services had

begun. Also, MBA did not require time sheets to be kept by its contracted personnel, when the contracts called for compensation at an hourly rate.

Although no state law or regulation requires maintainence of time sheets for contracted services, time sheets provide a basis for determining compensation for services which are performed on an hourly basis. After-the-fact signing of contracts is not a good business practice, since the parties to the contract may not have a mutual understanding of the terms of the agreement which is to be signed.

In addition, MBA entered into an agreement with a contractor when the individual was also an MBA employee hired under the CETA program and who was earning approximately $800 per month. This agreement was signed as a result of an MBA sponsored bicentennial activity called the "Yellowstone Journey" boat reenactment, in which three people floated down the Missouri River during May through September 1976 depicting Montana as it was years ago. Once the boat trip was completed, MBA officials realized the employee status of the contractor and immediately took corrective action to collect the approximately $400 previously paid to this individual under the contractual agreement. As a result, MBA had to pay the employee approximately $1,700 per diem pursuant to state law for in-state and out-of-state travel. MBA officials should have been well aware of the employee's payroll status prior to entering into the contract for services.

INVENTORIES

MBA did not take physical inventories of its commemorative items at June 30, 1975 or 1976. For this reason, we were unable to attest to the reasonableness of amounts reported for commemorative item sales on the Statewide Budgeting and Accounting System.

In addition, internal control procedures at MBA were inadequate. The agency did not employ proper accounting procedures to document commemorative item sales. For example, officials were allowed to take commemorative items for promotional purposes without adequately accounting for the number of items taken.

DISBURSEMENTS

As stated in the general comments section of this report, MBA received both state and federal moneys for awarding bicentennial grants. During our review of disbursement transactions, we noted that MBA used inter-entity loans without establishing proper inter-entity loan receivable and payable control accounts to document these accounting transactions. For example, MBA borrowed moneys from the state general fund to pay grants that were to be funded by the federal and private revenue fund. Once MBA received the federal funds, the general fund was properly reimbursed. Although such transactions are allowable, MBA did not account for them properly.

Accounting problems were created by not establishing these control accounts transferring expenditures between fiscal years once the reimbursement between entities took place. We noted several instances where expenditures were transferred from fiscal year 1974-75 to 1975-76 when the expenditures were actually incurred in 1974-75.

For fiscal year 1974-75 we also examined six expenditure accrual transactions that were recorded well beyond the fiscal year-end cut-off date. Although these transactions were not material in amount, we found no justifiable reasons why MBA could not accrue these transactions by the Department of Administration's established cut-off date.

APPROPRIATIONS

During fiscal year 1974-75, MBA overexpended its properly authorized federal and private revenue appropriation and budget amendments by approximately $5,400. The Office of Budget and Program Planning input duplicate documents for budget amendments, which created $25,600 of spending authority above the amount properly authorized. Even though this error was primarily caused by the budget office, up-to-date accounting records at MBA and continued review by agency officials would have prevented this situation.

The MBA accountant also explained that he transferred approximately $870 of expenditures from the federal and private revenue account to the general fund at June 30, 1976 because the unexpended balance of the general fund would revert, and MBA would lose this spending authority. This transfer of expenditures allowed the unexpended balance of the federal and private revenue account to increase by the same amount. Section 82-109(2), R.C.M. 1947, states expenditures will be applied against nongeneral fund moneys whenever possible before using the general fund appropriation.

CONDITION OF ACCOUNTING FILES

During our audit work at MBA, we found numerous SBAS documents that were not filed properly. Because of this, we found it difficult to locate the information needed to perform our audit of disbursements. Transfer warrant claims, no warrant transfers, journal vouchers, and collection reports were often misfiled, and monthly SBAS reports were misplaced. Adequate control over accounting records must be maintained to allow accounting staff easy access to information and to avoid wasting time searching for lost records.

ACCOUNTING PERSONNEL

During fiscal year 1974-75 and for the first six months of fiscal year 1975-76 we noted numerous accounting errors. Duplicate SBAS document numbers, incorrect control accounts, and incorrect appropriation and expenditure identification numbers were common. The Department of Administration corrected these entries when the documents were sent to the accounting division for final processing. We also found that the agency had no established procedures for paying its vendor bills. We found three month delays in paying these bills and loss of vendor discounts.

These problems were substantially corrected when the agency hired a new accountant. MBA officials should have corrected this situation at a much earlier date.

MANAGEMENT AWARENESS OF STATE OPERATIONS

Throughout the operation of the Montana Bicentennial Administration, many of the problems we observed originated as a result of MBA management's not being fully aware of state policies regarding proper agency accounting and personnel management. As a result MBA management did not recognize the need for a full-time accountant during the first year of its operations. The problems discussed in this report emphasize that management must realize the importance of state accounting and personnel policies.

CLOSURE AND DISMANTLING PROCEDURES

At the end of December 1976 the Montana Bicentennial Administration ceased operations. The agency, with the assistance of the Department of Administration, moved its office equipment to a temporary location at the Montana Historical Society.

Since the Department of Administration is the official custodian of surplus state owned property as set forth in Section 82-1914, R.C.M.

1947, we inquired into the disposition of MBA's office equipment. We found that the Department of Administration has no procedures for accounting for the equipment that is turned over to them. No equipment inventory listing was obtained from MBA when the actual move took place, nor were there efforts made by the department to account for all equipment. The director of MBA stated that when he contacted the department to request assistance in moving the equipment, no one informed him of proper procedures to follow. The director turned over a number of the equipment items to other state agencies--without the knowledge or approval of the Department of Administration. The Department of Administration should establish procedures to guide an agency in releasing its responsibility over its assets and to account for all equipment once it is turned over to the department.

In our review of the control and disposition of property of the Montana Children's Center, which ceased operations in June 1975, we recommended that measures necessary to establish a uniform policy to govern the closure and dismantling of state agencies be explored. No uniform policy has been adopted to date. This same lack of control existed during the closure of the Coordinator of Indian Affairs in 1971.

Currently, no one agency or group has the total responsibility over the closure process, and as a consequence, uncertainty as to the respective responsibilities exists. When the MBA office closed its operations in December 1976, the director assumed the responsibility of closing out the accounting records. As of June 15, 1977, these MBA records still have not been closed out. On May 31, 1977, the federal and private revenue fund had approximately $16,000 cash in the state treasury and encumbrances totaling approximately $14,500, leaving an estimated $1,500

unexpended balance. The Department of Administration and the Governor's Office of Budget and Program Planning should coordinate efforts to establish a uniform policy which will govern the closure and dismantling process of state agencies. While we recognize that there were a number of MBA administered grants still not officially completed, at December 31, 1976, it appears that the MBA should have closed its books at that time and that any remaining responsibilities should have been assumed by another state agency.

RECOMMENDATION

We recommend that:

1. *The Department of Administration establish procedures to guide an agency in releasing its responsibility over its assets and to account for all equipment once it is turned over to the department.*
2. *The Department of Administration and the Governor's Office of Budget and Program Planning coordinate efforts to establish uniform policies for the closure and dismantling process of state agencies.*

FINAL COMMENTS

We discussed this report with the former director of the Montana Bicentennial Administration and officials of the Department of Administration, the Governor's Office of Budget and Program Planning, and the Montana Historical Society. The full texts of their written responses to the report begin on page 21.

We wish to express our appreciation to these officials and their respective staffs for their cooperation and assistance during the audit.

FINANCIAL STATEMENTS

MONTANA BICENTENNIAL ADMINISTRATION
ALL FUNDS
BALANCE SHEET
JUNE 30, 1976

	General Fund	Federal and Private Revenue Fund	Federal and Private Grant Clearance Fund
ASSETS			
Imprest Cash Fund		$ 100	
Cash in Treasury		32,887	$6,700
Expense Advances to Employees	___	365	___
Total Assets	-0-	$33,352	$6,700
LIABILITIES, RESERVES AND FUND BALANCES			
Accounts Payable			$ 28
Accrued Support Expenditures		$ 3,382	
Fund Balance	___	29,970	6,672
Total Liabilities, Reserves, and Fund Balance	-0-	$33,352	$6,700

(See Accompanying Notes)

MONTANA BICENTENNIAL ADMINISTRATION
ALL FUNDS
STATEMENT OF REVENUE AND INCOME
FISCAL YEARS ENDED JUNE 30, 1975 AND 1976

Revenue/Income Category	Federal and Private Revenue Fund		Federal and Private Grant Clearance Fund		Total Revenue and Income	
	Fiscal Year 1974-75	Fiscal Year 1975-76	Fiscal Year 1974-75	Fiscal Year 1975-76	Fiscal Year 1974-75	Fiscal Year 1975-76
Sale of Bicentennial Commemoratives						
Envelopes	$ 9,299	$ 4,003			$ 9,299	$ 4,003
Pins	9,984	16,157			9,984	16,157
Medals	6,448	18,130			6,448	18,130
Bumper Stickers	236	918			236	918
Logo Flags	60	5,568			60	5,568
Metal Plaques		500				500
Plastic Plaques		4				4
Calendars		557				557
Key Chains		2,217				2,217
Coloring Books		1,210				1,210
T-Shirts		205				205
Posters		26				26
Other	129	3,207			129	3,207
Total Commemorative Sales	26,156	52,702			26,156	52,702
Federal Grants						
Department of Labor						
Public Service Career	4,500	15,410			4,500	15,410
American Revolution Bicentennial Administration	50,000	100,474	$85,480	$133,543	135,480	234,017
Total Federal Grants	54,500	115,884	85,480	133,543	139,980	249,427
Donations						
Franklin Mint (Note 8)	17,145	81			17,145	81
Income Collections and Transfers	52,547				52,547	
Total (Note 9)	$150,348	$168,667	$85,480	$133,543	$235,828	$302,210

(See Accompanying Notes)

MONTANA BICENTENNIAL ADMINISTRATION
STATEMENT OF SUPPORT EXPENDITURES COMPARED WITH APPROPRIATIONS
Fiscal Years Ended June 30, 1975 and 1976

PROGRAM	General Fund		Federal and Private Revenue Fund	
	Fiscal Year 1974-75	Fiscal Year 1975-76	Fiscal Year 1974-75	Fiscal Year 1975-76
Bicentennial Statewide Project				
Appropriation		$250,000		
Budget Admendments				
Total Available		250,000		
Expenditures		250,000		
Unexpended Balance		$ -0-		
Bicentennial Local Grant				
Appropriation	$50,000	$200,000		
Budget Amendments				
Total Available	50,000	200,000		
Expenditures	47,696	193,384		
Unexpended Balance	$ 2,304	$ 6,616		
Bicentennial Program Operations				
Appropriation	$20,000		$ 72,148	$ 88,811
Budget Amendments	78		51,492	121,857
Total Available	20,078		123,640	210,668
Expenditures	19,386		103,410	210,657
Unexpended Balance	$ 692		$ 20,230	$ 11
Program Totals				
Appropriation	$70,000	$450,000	$ 72,148	$ 88,811
Budget Amendments	78		51,492	121,857
Total Available	70,078	450,000	123,640	210,668
Expenditures	67,082	443,384	103,410	210,657
Unexpended Balance	$ 2,996	$ 6,616	$ 20,230	$ 11

(See Accompanying Notes)

MONTANA BICENTENNIAL ADMINISTRATION
STATEMENT OF EXPENDITURES BY OBJECT
FISCAL YEARS ENDED JUNE 30, 1975 AND 1976

Expenditure Object	No Program		Bicentennial Commemoration		Total Expenditures	
	Fiscal Year 1974-75	Fiscal Year 1975-76	Fiscal Year 1974-75	Fiscal Year 1975-76	Fiscal Year 1974-75	Fiscal Year 1975-76
Personal Services						
Salaries			$ 57,572	$ 82,217	$ 57,572	$ 82,217
Hourly Wages				633		633
Employee Benefits			6,759	9,994	6,759	9,994
Total Personal Services			64,331	92,844	64,331	92,844
Operating Expenses						
Contracted Services	$ 3,320		19,753	43,101	23,073	43,101
Supplies and Materials			3,923	6,095	3,923	6,095
Communications			6,795	17,054	6,795	17,054
Travel	43		5,270	9,374	5,313	9,374
Rent (Note 4)			178	4,080	178	4,080
Repair and Maintenance			59	52	59	52
Other Expense			56	237	56	237
Goods Purchased for Resale			9,146	16,213	9,146	16,213
Total Operating Expenses	3,363		45,180	96,206	48,543	96,206
Equipment			2,909	3,567	2,909	3,567
Grants and Local Assistance						
From State Sources			47,696	443,848	47,696	443,848
From Federal Sources	63,120	$136,348	17,126	17,576	80,246	153,924
Total Grants and Local Assistance	63,120	136,348	64,822	461,424	127,942	597,772
Total Expenditures	$66,483	$136,348	$177,242	$654,041	$243,725	$790,389

(See Accompanying Notes)

MONTANA BICENTENNIAL ADMINISTRATION
STATEMENT OF CHANGES IN FUND BALANCE
ALL FUNDS
FISCAL YEARS ENDED JUNE 30, 1975 AND 1976

	General Fund		Federal and Private Revenue Fund		Federal and Private Grant Clearance Fund	
Fund Balance, Beginning	$ -0-	$ -0-	$ -0-	$ 46,938	$ -0-	$ 12,247
Additions:						
Appropriations	70,078	450,000				
Revenue and Income			150,348	168,667	85,480	133,543
Prior Year Revenue Adjustment				2,689		(2,770)
Total Beginning Balance and Additions	70,078	450,000	150,348	218,294	85,480	143,020
Deductions:						
Support Expenditures	67,082	443,384	103,410	210,657		
Non-Budgeted Withdrawals					64,160	136,348
Non-Budgeted Expenditures					9,073	
Reverted Appropriations	2,996	6,616				
Prior Year Expenditure Adjustment				(22,333)		
Total Deductions	70,078	450,000	103,410	188,324	73,233	136,348
Fund Balance, Ending	$ -0-	$ -0-	$ 46,938	$ 29,970	$12,247	$ 6,672

(See Accompanying Notes)

MONTANA BICENTENNIAL ADMINISTRATION

Notes to Financial Statements
Fiscal Years Ended June 30, 1975 and 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preceding financial statements were prepared from the Statewide Budgeting and Accounting System (SBAS).

The State of Montana utilizes the modified accrual basis of accounting. Modified accrual is defined as "that method of accounting in which expenditures are recorded on the basis of valid obligations and revenues are recorded when received in cash. At the end of a fiscal year, all valid obligations against an appropriation are to be accrued as expenditures as provided by law." (Montana Administrative Manual 2-0240.40)

2. RETIREMENT PLAN

Employees of the Montana Bicentennial Administration were covered by the Public Employees' Retirement System, a contributory plan under which the state contributes 5.55 percent of an employee's gross wages and the employee contributes 6 percent of his gross wages to the plan. MBA incurred pension costs of $2,800 and $4,300 during fiscal years 1974-75 and 1975-76, respectively. The state funds accrued pension costs.

3. VACATION AND SICK PAY

Liabilities incurred because of employees' unused vacation and sick pay are not recorded. The related expenditures are recorded when paid. Permanent employees are allowed to accumulate and carry over into a new calendar year a maximum of twice their annual accumulation of vacation. Upon termination, qualifying permanent employees having unused accumulated vacation and sick leave receive payment for vacation on a 100 percent

basis and sick leave on a 25 percent basis. The amount of liability associated with unused, accumulated vacation and sick leave at June 30, 1976, is maintained on an hourly basis rather than by dollar amount. The monetary liability is not calculated until an employee terminates.

4. LEASE COMMITMENTS

During fiscal years 1974-75 and 1975-76, MBA leased office space at a monthly rate of $335. This lease expired in December 1976 when the agency ceased activity.

5. GENERAL FUND APPROPRIATIONS

As discussed in the general comments section of this report, the Montana legislature appropriated $250,000 during fiscal year 1975-76 to MBA for the selection, development and construction of a single, permanent statewide project to commemorate the bicentennial. The Headwaters Improvement Project at the Missouri Headwaters State Park was selected, and final completion is scheduled for July 1977. In addition, the legislature appropriated $50,000 in fiscal year 1974-75 and $200,000 in fiscal year 1975-76 for local bicentennial grants. These grants were awarded to various non-profit organization and local government units throughout the state.

6. FEDERAL AND PRIVATE REVENUE FUND

The federal and private revenue fund was used to account for all receipts from commemorative items sales, royalties paid from both state and national bicentennial medal collection sales, and all federal government receipts earmarked for administration of the bicentennial program.

7. FEDERAL AND PRIVATE GRANT CLEARANCE FUND

The federal and private grant clearance fund was used to account for all federal grant moneys received by MBA and subsequently awarded to

grant recipients for various bicentennial projects. Moneys spent from this fund do not require an appropriation.

8. FRANKLIN MINT DONATIONS

The Montana Bicentennial Administration received approximately $28,000 during fiscal years 1974-75 and 1975-76 from the Franklin Mint as a result of the fifty-state bicentennial medal collection sales. MBA accounting did not use the revenue category "Donations-Franklin Mint" during fiscal year 1975-76 but rather recorded the royalties received as medal sales from commemoratives.

9. INCOME VS REVENUE

The Statement of Revenue and Income shows total receipts for MBA by source for fiscal years 1974-75 and 1975-76. Revenue, as used in the Statewide Budgeting and Accounting System, identifies prime moneys coming into the treasury fund structure which can be used to finance those operations for which the state is responsible. An amount received is to be classified as revenue only once. Income, on the other hand, is used to classify all other receipts which are used to finance governmental operations but wherein the amount received has, either directly or indirectly, previously been accounted for as revenue.

AGENCY REPLIES

July 1, 1977

TO WHOM IT MAY CONCERN:

Montana's involvement in the celebration of America's Bicentennial was acclaimed nationwide. Nearly 3,000 volunteers crowded 2831 projects and activities into communities across the state. Although Montana's population is scarce, her enthusiasm and energy and spirit of independence were all too obvious during the Bicentennial era.

The directions the Bicentennial commemoration moved in Montana were not guided necessarily by the policies and decisions of either the state or national Bicentennial agencies, but rather by the inherent kinship Montanans have with the historical past, the "pioneer spirit!"

The Montana Bicentennial Administration used this tremendous "spirit" to foment action in the form of myriad activities and ongoing projects.

Rather than reify institutions, we asked Montanans to challenge them; rather than trying to "con" our Native American brothers into celebrating the 200th birthday of a country they had inhabited for many thousands of years, we offered the Bicentennial era to them as a means of sharing their historic and spirited culture with the whites; rather than coasting for three years awarding a few grants to the usual recipients, we determined early to get everyone involved, to inspire a real "grassroots" celebration.

Summarily, the Bicentennial era in Montana cannot be judged or analyzed by this document alone. Historians and interested persons should review the Bicentennial publications and files archived in the Montana Historical Society in Helena. Former Director Hal Stearns and the rest of the staff are to be commended for making the Bicentennial era in Montana meaningful and challenging and for helping Montana communities envision a more rewarding and enlightened third century.

John Barrett
Director,
Montana Bicentennial Administration

STATE OF MONTANA
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
MITCHELL BUILDING
HELENA, MONTANA 59601

THOMAS L. JUDGE, GOVERNOR

June 28, 1977

Mr. Morris L. Brusett
Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59601

RECEIVED
JUN 28 1977
MONTANA LEGISLATIVE AUDITOR

Dear Mr. Brusett:

In accordance with your request, we have reviewed the audit report of the Montana Bicentennial Administration and submit the following response:

RECOMMENDATION - PAGE 12

We recommend that:

1. *The Department of Administration establish procedures to guide an agency in releasing its responsibility over its assets and to account for all equipment once it is turned over to the department.*

We concur there is a need for a more formalized procedure for the disposition of equipment of agencies that are terminated. It is our intention to provide this service through the Surplus Property function assigned to the Department of Administration in Senate Bill No. 448 enacted by the last Legislative Session. This program is funded on a revolving account basis which requires the assessment of a fee to be paid by the recipient to defray the cost of handling and accounting for the equipment.

2. *The Department of Administration and the Governor's Office of Budget and Program Planning coordinate efforts to establish uniform policies for the closure and dismantling process of state agencies.*

We concur. The Accounting Division of the Department of Administration will work with the Office of Budget and Program Planning in establishing the recommended policies.

Sincerely,

Jack C. Crosser

Jack C. Crosser
Director

JCC:bc

Office of the Governor

Budget and Program Planning

Capital Building · Helena, Montana 59601

Thomas L. Judge
Governor

Michael G. Billings
Director

RECEIVED
JUN 28 1977
MONTANA LEGISLATIVE AUDITOR

June 28, 1977

Mr. Morris L. Brusett, Legislative Auditor
Office of the Legislative Auditor
State Capitol Building
Helena, Montana 59601

Dear Morris:

This letter is in response to an audit recommendation contained in the audit report of the Montana Bicentennial Administration for the two fiscal years ended June 30, 1976. The recommendation is as follows:

> "The Department of Administration and the Office of Budget and Program Planning coordinate efforts to establish uniform policies for the closure and dismantling process of state agencies."

This office concurs with the recommendation and will work with the Department of Administration to establish the necessary policies.

Sincerely,

Mike Billings

Michael G. Billings
Director

MONTANA HISTORICAL SOCIETY

225 NORTH ROBERTS STREET • (406) 449-2694 • HELENA, MONTANA 59601

June 29, 1977

Mr. Morris L. Brusett
Legislative Auditor
Room 135
Capitol

Dear Mr. Brusett:

In accordance with your request we have reviewed your audit report of the Montana Bicentennial Commission and submit the following response:

> The contract also states that all medal dies used in the production of the Montana bicentennial medal collection shall become the property of the Montana State Historical Society; these dies were to be delivered to the society by March 31, 1977. Rouche Jaune officials have indicated that these dies will not be returned to the Montana Historical Society because the dies are the exclusive property of the medal manufacturer, Medallic Art Company, Danbury, Connecticut. Roche Jaune officials said they were unaware of the exclusive property provisions entered into with Medallic Art Company at the time the contract with MBA was signed.
>
> The Montana Historical Society should determine the feasibility of obtaining the dies as stipulated in the original contract.

The Montana Historical Society concurs with the audit recommendation and will expedite recovery of the medal dies from Medallic Art Company, Danbury, Connecticut.

Sincerely,

Ken Korte
Director

KK/dlb